

# Bulletin

SEMIANNUAL PUBLICATION FOR ACTIVE AND INACTIVE CALSTRS MEMBERS ■ FALL 2001



One important way to achieve a financially secure retirement is to save on a tax-deferred basis. The federal tax law that takes effect on January 1 makes tax-deferred saving more attractive to CalSTRS members. Here are the highlights of the new law:

## IRAs

The federal tax law increases the maximum allowable contributions to IRAs for eligible taxpayers from \$2,000 in 2001 to \$3,000 in 2002. That limit will increase by an additional \$1,000 per year in 2005 and another \$1,000 in 2008 when the limit reaches \$5,000. The limit after 2008 will be indexed to inflation in \$500 increments. Depending upon your income level, you may be able to deduct these contributions. Check with your financial advisor.

## Feds Make Saving for Retirement Easier

### IRA Catch-up

If you are at least age 50 during the year, you will be able to contribute an additional \$500 to your IRA in 2002 depending on your income level. This allowable "catch-up" contribution will increase by an additional \$500 in 2006.

### 403(b) Contributions

Teachers and other public school employees are allowed to save even more money for retirement in 403(b) accounts. You are permitted to make contributions to your 403(b) account, and the contributions are not counted as taxable income in the year the contribution is made.

Previously, the amount you could save in a 403(b) account was limited to the lesser of 25 percent of salary or \$10,500 annually. In addition, a maximum exclusion allowance, which is based on your current salary, number of years of service and contributions made in previous years, further limited how

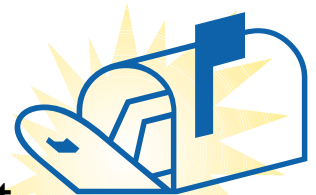
much you can contribute to a 403(b) account in any year.

Now, beginning in 2002, the maximum exclusion allowance is repealed, which will greatly simplify determining how much you can contribute. In addition, you will be able to contribute as much as 100 percent of your salary, up to \$11,000 in a 403(b) account in 2002. That limit will increase by an additional \$1,000 per year until 2006, when the limit reaches \$15,000. The limit after 2006 will be indexed to inflation in \$500 increments. These changes in allowable contributions also apply to 401(k) and 457 plans.

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Your **2001 annual statement** of account will be mailed by the end of February.

See page 4 for details.





# CEO Notes

By James D. Mosman, Chief Executive Officer

This is the last time I speak to you in these pages. In December, I will leave state government and take on the leadership of the National Council on Teacher Retirement. To a degree, I'll still be involved in CalSTRS since my new position gives me the opportunity to focus on teacher pension issues, but now at the national level.

My commitment to California's educators has been strengthened by my experience with my mother, who was a retired teacher. During retirement, I saw how valuable her CalSTRS pension was to my parents' security. Remembering their situation and knowing it was shared by thousands of others spurred me to do my part to improve the retirement benefits.

Providing outstanding benefits and services to CalSTRS members has made my 13 years with CalSTRS the most rewarding of my 30-year career in state government. A major highlight in my time at CalSTRS came in 1998 when legislation was passed changing the benefits for the first time in decades. This satisfac-

tion has been sweetened by additional enhancements since then.

These boosts in benefits were possible thanks to the biggest single development in CalSTRS' history — achieving fully funded status. This means CalSTRS has enough funds now to fund the current benefits for the next 30 years. When I came to CalSTRS in 1988, full funding was not expected in the foreseeable future. That changed thanks to the excellent investment returns in the 1990s.

Another source of pride was the culmination of 10 years of work in getting the Elk Hills Petroleum Reserve sale proceeds. These funds support CalSTRS' purchasing power protection program for California's oldest and most needy retired educators.

The successful conclusion of a lengthy effort by many was symbolized at a celebration attended by retired teachers and representatives from the teaching community. I was honored to introduce Governor Gray Davis, who received the first annual installment payment from U.S. Secretary of Energy Bill

Richardson. This first \$36 million payment has been followed by two others as we move toward receipt of the \$320 million total.

I have seen CalSTRS grow as the number and needs of the members have grown. When I came, I found a retirement system without enough staff or technology for proper service. I've been happy to see that straightened out as CalSTRS got the necessary resources and a commitment to outstanding customer service became the norm. CalSTRS has achieved and maintained a high level of service performance.

After reaching an exemplary level of customer service, I'm disappointed to see the service delivery problems CalSTRS is currently having. As noted in the last two *Bulletins*, the Public Service Office toll-free telephone system is swamped due to an increase in new benefits inquiries and the conversion to a new database computer system.

I am confident customer service performance will improve soon,

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given the overall commitment and concern by everyone here at CalSTRS. We are moving to resolve the problems for the short term as well as implement long-term solutions to service delivery issues.

This leads me to talk about the future of CalSTRS.

I believe it is important to use fully the latest of the wonderful technology that is developing minute by minute. Therefore, plans are in place for the CalSTRS of the not-too-distant future to use private sector type customer service methods such as the Internet and other electronic delivery systems.

In addition to advances in technology resources, CalSTRS will continue to maintain the strength we have achieved in funding. This will allow further benefit enhancements for active and retired members.

"Plans are in place for the CalSTRS of the not-too-distant future to use private sector type customer service methods such as the Internet and other electronic delivery systems."

You will see a new name and face at the top of this page in the next *Bulletin*. To that person, I say, "Best wishes for a long and happy career here. I urge you to take the time to listen to the valuable input from the members and the teacher organizations. Find out what is really important to them as you make your decisions."

I will miss the relationships I've built with the staff and the constitu-

ent groups. I've met many dedicated and worthy persons over the years and have been rewarded with warm friendships. These fine people remain to provide you the best possible retirement system.

Best wishes also to each of you. And thanks for the opportunity to serve you these past 13 years.



## Survivor and Disability Provisions Retained

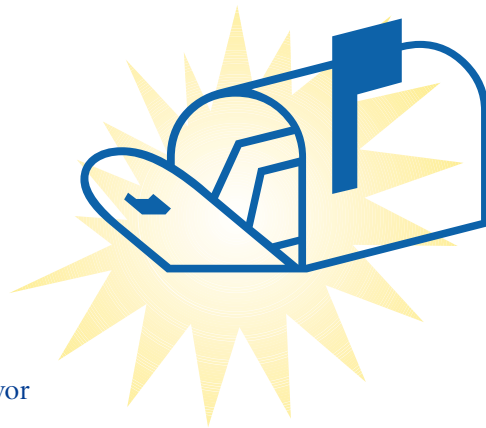
Certain eligibility provisions for dependent children receiving survivor benefits and disability allowances were due to expire January 1, 2002. However, legislation signed by Governor Gray Davis has eliminated that expiration.

The law, SB 499 (Soto) Chapter 802, Statutes of 2001, applies to members with survivor and disability Coverage A. As a result, their children are eligible for benefits if, the child is:

- unmarried
- under the age of 22
- financially dependent upon the member when the member becomes disabled or dies

Without passage of SB 499, starting January 1, 2002, dependent children between the ages 18 and 22 would have had to have been full-time students to be eligible for the survivor benefits under Coverage A.

# Wealth of Info Coming by February



**B**y the end of February you will find a small white envelope in your mailbox packed with important personal information from CalSTRS. The 6" x 9" envelope will contain your Defined Benefit Program annual statement of account. This is one of the most valuable pieces of mail you will get throughout the year. It tells what CalSTRS knows about you as of June 30, 2001.

The information in the annual statement will ultimately be used in figuring your retirement allowance. It is important for you to check your annual statement each year so errors are quickly corrected.

## Employers Are the Account Data Source

Your employer sends your account information to CalSTRS. Therefore, you need to contact your employer to clear up any discrepancies you find.

## Annual Statement of Account Includes

- Which disability and survivor benefit coverage you have
- Beginning and ending balances and totals for
  - Service credit
  - Interest
  - Member contributions, both taxed and tax deferred
- Your designated beneficiary for your lump-sum death payment

If you are more than 50 years old, your annual statement of account will also include an estimated unmodified retirement allowance, i.e., one that does not provide a lifetime allowance for your survivor.

## Additional Helpful Information

Besides your individual account details, your annual statement of account will be filled with useful

information for handy reference. You will find how to contact CalSTRS; definitions of the terms used in the statement; and information resources, including details on pre-retirement counseling services and financial education program workshops.

## DBS Statement Coming in 2002

The annual statement you receive in February is for your Defined Benefit Program account only. Since January 1, 2001, you also have had a Defined Benefit Supplement account. This is the new account established by state legislation last year. Between January 1, 2001, and December 31, 2010, one-quarter of your CalSTRS contribution, or 2 percent of your CalSTRS-creditable compensation, will go into this account. (This diversion of your contribution will not affect your CalSTRS retirement allowance.)

The six months of DBS account activity (January through June 2001) will not appear on the statement you will get in February. This period will be included in a DBS statement you will get next year.

## Inactive Member Thinking About Returning?

### A Reminder from the Commission on Teacher Credentialing

If you are taking a break from CalSTRS-covered employment, but plan to become an active member again, you may have to take the California Basic Educational Skills Test before returning to the classroom.

You may need to take the CBEST before having your credential reissued if:

1. You hold a life or clear credential that was issued prior to 1983; and
2. You have not been employed in a position requiring certification in any school district for 39 months or more.

For more information on the time constraints and possible exceptions, contact the California Commission on Teacher Credentialing at 888-921-2682 (inside 916 area code, 445-7254) or [www.ctc.ca.gov](http://www.ctc.ca.gov) or [credentials@ctc.ca.gov](mailto:credentials@ctc.ca.gov).

**Saving** *continued from page 1*

### 403(b) Catch-up

If you are at least age 50 during the year, you will be able to contribute an additional \$1,000 to your 403(b) in 2002. This allowable “catch-up” contribution will increase by an additional \$1,000 per year, up to \$5,000 in 2006. The limit after 2006 will be indexed to inflation in \$500 increments. These changes in allowable contributions also apply to 401(k) and 457 plans.

### Federal Income Tax Credit

Some members may be eligible for a federal income tax credit if they contribute to a 403(b) or similar plan. If you file a single tax return with an adjusted gross income of \$25,000 or less, a head of household with an AGI of \$37,500, or a joint return with an AGI of \$50,000 or

less, you can receive a tax credit of up to 50 percent of the contributions (up to a maximum of \$2,000 of contributions for this purpose) you make to a 403(b), 457, 401(k) or IRAs, beginning with the 2002 tax year.

### What is a 403(b)?

403(b) is a retirement savings plan available to employees of educational institutions and non-profit organizations that allows you to contribute a portion of your pre-tax salary toward investments that can supplement your retirement. The term refers to the section of the Internal Revenue Code that governs these plans. All school districts in California offer a 403(b) plan, although plans vary by district. Check with your personnel office for details on the 403(b) available to you.

Many plans offered by districts are annuities, which charge commissions plus additional fees if you want to move your 403(b) investments to another choice. One 403(b) plan offered in about one-third of the districts, however, is the CalSTRS Voluntary Investment Program, or VIP. VIP has low administrative fees and lets you choose to invest your contributions in the following funds:

- Provident Institutional Fund's TempCash Prime Money Market Mutual Fund
- S&P 500 Index Fund
- EAFE Equity Index Fund, an international stock index fund
- Self-Managed Account, which permits members to invest in nearly 3,000 mutual funds

### Questions about VIP?

Call 1-800-699-4032.



## Jim Mosman Announces Departure

**C**hief Executive Officer Jim Mosman will leave CalSTRS in December to become Executive Director of the National Council on Teacher Retirement. (Please see *CEO Notes* on page 2 for Jim's final message to the CalSTRS members.)

The Teachers' Retirement Board will select a new CEO by the end of the year.

Jim has directed the administration of CalSTRS since November 1988. During his tenure, the investment portfolio grew from \$24.3 billion to \$105 billion and membership increased by approximately 220,000 persons to the current 661,000 members and benefit recipients. The system has an operating budget of approximately \$56 million and 525 employees.

Jim's career in state government began in 1971. Prior to coming to CalSTRS, he was director of the California Department of Personnel Administration from 1985 to 1988 and served on the California Public Employees' Retirement System board during that period.

Jim will head the National Council on Teacher Retirement, an independent association dedicated to safeguarding the integrity of public retirement systems for teachers. The organization's membership includes 67 state, territorial, local and university pension systems. Currently located in Austin, Texas, the headquarters office will move to Sacramento by the end of 2001.



# Cash Balance Corner

## Latest News for Cash Balance Benefit Program Participants

Annual Statement Due This Winter

Your Cash Balance Benefit Program 2000–01 annual statement will be mailed by the end of the year. This handy one-page document details your account, including contributions by you and your employer. The information given includes:

- ◆ Prior year-end (99-00) balances of contributions and interest earned
- ◆ Current year (00-01) activity by employer (percent of pay contributed by the participant and the employer)
- ◆ Credited interest
- ◆ 2000–01 year-end balances

The information in the annual statement other than the interest data is reported by your employer. Therefore, if the employer-provided information in the statement does not agree with your records (including an incorrect Social Security number or address), please contact your employer.

No Additional Earnings Credit This Year

The Teachers' Retirement Board is authorized to award additional earnings credits to Cash Balance Benefit Program accounts when excess investment earnings are available. Given the current downturn in the stock market, it should not be surprising to learn no such earnings are available this year. That's the bad news, but the good news is that your account has received a 6.25 percent per annum guaranteed interest rate, compounded daily. This is a better return rate than most other investment vehicles during the same period.

Participating Employers

### *School Districts or Offices*

- Berkeley Unified
- Contra Costa COE
- Fremont Unified
- Grossmont Union High School
- Montgomery Elementary
- Robla Elementary
- West Contra Costa Unified

### *Community College Districts*

- Antelope Valley
- Butte
- Chabot-Las Positas

- City College of San Francisco
- Contra Costa
- El Camino
- Foothill-De Anza
- Fremont-Newark
- Glendale
- Mira Costa
- Peralta
- San Jose-Evergreen
- San Mateo
- Sierra
- Solano
- Sonoma County Jr.
- Ventura County
- Yuba

# Feds Increase Allowable Benefits in CalSTRS

The federal tax relief law makes changes for members with high salaries beginning in 2002. It increases the maximum benefits paid by retirement plans by increasing the dollar limit on annual benefits that may be paid under a defined benefit plan such as CalSTRS. It also increases the amount of compensation that may be taken into account in computing benefits under the plan. As a result, more income will be subject to CalSTRS contributions, and the maximum benefit paid by CalSTRS will increase.

**Current law**—In 2001, the maximum income that is subject to CalSTRS benefits is \$170,000, and CalSTRS cannot pay benefits in excess of \$140,000 annually to members who retire between ages 62 and 65. Income that exceeds \$170,000 is not considered in determining CalSTRS benefits, nor are contributions paid on that excess income. When allowable benefits exceed the \$140,000 limit, CalSTRS pays the difference through a separate benefit plan.

**Beginning in 2002**—the federal tax law increases the maximum compensation limit and benefit limit to \$200,000 and \$160,000, respectively. These amounts will be adjusted for inflation.



# Is Your Beneficiary Designation Up to Date?

## Want to Change Your Designated Beneficiary?

If you aren't sure who your designated beneficiary is or if you want to change the designation, the easiest thing to do is to submit a new *Beneficiary Designation Information* form, MS 0002. That way you can be certain your current wishes are recorded.

The fastest way to get a *Beneficiary Designation Information* form, MS 0002, is to print it from the CalSTRS Web site, [www.calstrs.ca.gov](http://www.calstrs.ca.gov), using the CalSTRS Forms button on the home page.

If you don't have access to the Internet, you can get the form by calling the 24-hour CalSTRS automated telephone system at 800-228-5453. At the main telephone menu, select the forms ordering option and follow the prompts to have the form mailed to you.

## Are the Designated and Option Beneficiary the Same?

It's common to confuse the two types of CalSTRS beneficiaries. The *designated* beneficiary receives the lump-sum death benefit while the *option* beneficiary gets a lifetime monthly allowance upon your death. Although they can be the same person, they do not have to be.

You can select a designated beneficiary as soon as you become a CalSTRS member.

You can select an option beneficiary at retirement or when you are eligible to retire through a "pre-retirement election of an option." (You are eligible to retire when you are age 50 with 30 years of service credit or at age 55 with at least five years of service credit.)

Once you have at least one year of service credit and are still an active member, you have what CalSTRS calls a "lump-sum death benefit." This is a one-time payment that, when you die, goes to the person or persons you have designated. CalSTRS calls this person your *designated beneficiary*.

The amount is set annually by the Teachers' Retirement Board and, until June 30, 2002, is \$6,010 for active members under survivor benefit coverage A and \$24,040 for active members under survivor benefit coverage B. Your annual statement lists which survivor benefit coverage you have and who your designated beneficiary is.

**A recent marriage or divorce does not automatically change your beneficiary designation. Has your marital status changed lately? If so, you may want to update your beneficiary designation to reflect your current wishes.**

# First Year of 2001–2002 Legislative Session Ends

Each year legislation is introduced that would, if approved by the Legislature and Governor Gray Davis, improve benefits paid to some CalSTRS members who retire in the future. The first year of the two-year legislative session has ended and the Governor has signed six bills that directly affect CalSTRS. Provisions in new laws that affect CalSTRS members retiring in the future are summarized below.

In addition, other legislation introduced this year did not complete the legislative process. It is possible some of those bills will be given further consideration in the next calendar year. Provisions affecting CalSTRS members in those bills are also summarized below.

Unless stated otherwise, new benefit changes take effect on January 1, 2002, and would apply only to members who retire after the legislation's effective date.

## ***Enacted Legislation***

### **AB 135 (Havice) Chapter 840, Statutes of 2001**

Increases the level of purchasing power protection for initial CalSTRS benefit from the current 75 percent to 80 percent.

### **AB 804 (Education Committee) Chapter 734, Statutes of 2001**

Requires CalSTRS to notify members about the time constraints and possible requirements for passing the California basic educational skills test if the individual wants to return to teaching after an absence of 39 or more months. Became effective October 11, 2001.

### **SB 165 (O'Connell) Chapter 77, Statutes of 2001**

Permits a vested member of CalPERS who becomes employed in the future in a position covered by CalSTRS to elect to be excluded from CalSTRS and retain membership in CalPERS.

### **SB 334 (Ortiz) Chapter 800, Statutes of 2001**

Increases benefits paid to members who retire for service, reinstate under CalSTRS-covered employment and perform at least two years of credited service and then re-retire. The two years of credited service can be accrued at any time as long as the member re-retires after October 13, 2001. *Please see page 14 for details.*

### **SB 499 (Soto) Chapter 802, Statutes of 2001**

Increases loan limits for the CalSTRS



Home Loan Program and authorizes purchase of Cash Balance Benefit Program participation as Defined Benefit Program service credit. Also eliminates the January 1, 2002, sunset for eligibility of dependent children for Coverage A family allowance (*Please see page 3 for details*).

### **SB 501 (Senate Public Employment and Retirement Committee) Chapter 803 Statutes of 2001**

Makes technical changes to the Teachers' Retirement Law, including the necessary state law changes to implement the federal tax relief law (*see pages 1,5,6 and 12*).

## ***Proposals Held in Committee***

These bills were "held in committee" for this year of the two-year Legislative session. If it chooses, the Legislature can reconsider them in 2002.

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*Statutory changes are made from time to time that affect CalSTRS benefits and that may affect any decisions you make in relation to those benefits. These changes are made by the California Legislature and the Governor. Although CalSTRS makes every effort to keep its members informed about changes in its benefit structure, it cannot safely predict what the Legislature and Governor may do that might be of interest to you. For this reason, you should keep yourself informed about possible benefit changes by consulting the CalSTRS Web site ([www.calstrs.ca.gov](http://www.calstrs.ca.gov)), the CalSTRS Public Service Office (1-800-228-5453), CalSTRS retirement counselors, your union representative (if applicable), your legislative representative and any other source that you believe may be helpful to you before you make any final decision. You are ultimately responsible for any decision you make in regard to your CalSTRS benefits.*



## **Bills** *continued from page 8*

### **AB 607 (Negrete McLeod)**

Increases the current 2.4 percent limit in the combined age factor and career factor paid to members with 30 or more years of credited service who retire on or after January 1, 2002 to 2.6 percent.

### **SB 191 (Karnette)**

Requires CalSTRS to make annual payments to active member Defined Benefit Supplement accounts from 2002 through 2011. Also requires CalSTRS to pay Medicare Part B premiums for active and retired members who were at least age 55 on January 1, 2001.

### **SB 461 (Torlakson)**

Requires CalSTRS to provide high deductible prescription drug coverage to retired members with unspecified minimum levels of service credit.

### ***Provision Deleted***

After the deadline for introduction of new legislation, if the need arises, the Legislature removes provisions in an existing bill and substitutes other provisions. This was done with AB 649, which became legislation to ratify collective bargaining agreements between the state and the California Highway Patrol officers and California Department of Forestry and Fire Protection fire fighters. The deleted AB 649 provision below will likely be amended to another bill next year.

### **AB 649 (Negrete McLeod)**

Requires community college districts to offer part-time employees coverage under Social Security or an alternative retirement plan, which could include the Cash Balance Benefit Program.

## **Group Appointment Workshops: Empower Your Mouse**



### **Learn to estimate your retirement allowance anytime YOU want to.**

The new Group Appointment Workshops proved such a success in San Diego and Sacramento that they will roll out throughout the state in 2002.

These workshops help members use CalSTRS Web site resources to calculate their allowances and include an overview of CalSTRS benefits. The workshops are geared for members planning to retire in a year or more. Each workshop can accommodate about 20 to 25 persons and uses a "computer lab" format.

Regional counseling offices are now securing locations for Group Appointment Workshops to take place between January and June 2002. You may contact the office nearest you (see below) after December 1 to indicate your interest in learning about the Group Appointment Workshops scheduled in your area.

### **Regional Counseling Office by County**

Alameda: (510) 670-4200  
(between 2:00 pm - 5:00 pm)

Contra Costa: (925) 942-5375

Fresno: (559) 497-3797

Kern: (661) 636-4880

Los Angeles: (562) 922-6414  
or (562) 922-6838

Merced: (209) 381-6618

Orange: (714) 966-4251

Sacramento: (916) 971-7918  
or (916) 971-7919  
(between 10:00 am - 4:30 pm)

San Bernardino: (909) 433-4686

San Diego: (858) 292-3565  
or (858) 292-3500

San Francisco: (415) 241-6014

San Joaquin: (209) 468-4864

San Mateo: (650) 312-7712

Santa Barbara: (805) 928-0542

Santa Clara: (408) 341-7265

Santa Cruz: (831) 476-7140

Shasta: (530) 225-0203

Solano: (707) 399-4445

Sonoma: (707) 524-2627  
(between 8:00 am - 4:30 pm)

Stanislaus: (209) 525-4831

Tulare: (559) 733-6760

Ventura: (805) 383-1992



## Workshops Help Build Secure Retirement

CalSTRS is the foundation of your retirement. By planning carefully, you can build on that base for just the kind of retirement you want. One tool CalSTRS provides to help you craft a comfortable, secure retirement is the Financial Education Program workshop.

Workshops are held throughout California and offer information on CalSTRS benefits and programs; Social Security benefits and CalSTRS; and how to develop a personal financial plan. While it is never too early or too late to start saving for retirement, the workshops are suggested for educators ten or more years from retirement.

The cost of the four-hour workshops, including materials and refreshments, is \$20 for members and \$30 for a member and one guest. To register, call 888-394-2060 or select Financial Education in the Quick Navigator's pull-down menu at [www.calstrs.ca.gov](http://www.calstrs.ca.gov).

### 2002 Financial Education Workshop Schedule

#### January 12

Los Angeles COE  
Autry Museum of Western Heritage  
4700 Western Heritage Way  
Los Angeles

San Joaquin COE  
Nelson Center Auditorium  
2901 Arch-Airport Rd  
Stockton

San Juan USD  
3738 Walnut Ave  
Board Room  
Carmichael

#### January 26

Contra Costa COE  
77 Santa Barbara Rd, Board Room  
Pleasant Hill

Santa Barbara COE  
4400 Cathedral Oaks Blvd  
Auditorium  
Santa Barbara

#### February 2

Oak Grove School District  
6578 Santa Theresa Blvd  
San Jose

#### February 23

San Mateo COE  
101 Twin Dolphin Dr, Room A & B  
Redwood City

Santa Cruz COE  
809-H Bay Avenue  
Santa Cruz

#### March 2

Shasta COE  
1644 Magnolia Avenue  
Redding

#### March 9

Stanislaus COE  
Conference Room B & C, 1<sup>st</sup> Floor  
1100 'H' Street  
Modesto

#### March 16

Orange COE  
200 Kalmus Drive, Building D  
Costa Mesa

San Juan USD  
3738 Walnut Ave, Board Room  
Carmichael

Ventura COE  
James F. Cowan Conference Center  
550 Airport Way  
Ventura Room  
Camarillo

#### March 23

Solano COE  
5100 Business Center Dr  
Waterman Room  
Fairfield

#### April 6

San Diego COE  
6401 Linda Vista Rd  
San Diego

#### April 20

San Bernardino COE  
West End Educational Service  
Center  
8265 Aspen Ave  
Rancho Cucamonga

#### April 27

County Superintendent Office  
1300 – 17<sup>th</sup> St  
City Center Room 1B  
Bakersfield  
San Juan USD  
3738 Walnut Ave  
Board Room  
Carmichael

#### May 4

Fresno COE  
1111 Van Ness Ave, Room 270  
Fresno  
Orange COE  
200 Kalmus Dr, Board Room  
Costa Mesa

#### May 18

Los Angeles COE  
9300 Imperial Hwy, Board Room  
Downey



# Pick the Best Years to Figure Final Compensation

## A Tip for Some Part-time Community College Faculty

If you are a part-time community college educator when you retire, you may need to tell CalSTRS which years of your salary to consider when it calculates your retirement allowance. This applies to you only if your CalSTRS membership started before 1998 and extended past that year.

Why specify salary other than the most recent? Because one element considered in calculating your retirement allowance (in addition to service credit and your age at retirement) is called *final compensation*. For members with less than 25 years of service credit, this is your highest average earnable compensation for any period of three\* consecutive years. It is not necessarily the earnable compensation for the last years of your CalSTRS service.

When your final compensation is considered in calculating your retirement allowance, CalSTRS will automatically use your last three years of compensation if you have less than 25 years of service credit. This is compensation based on what you would have earned *if you had been working full time*.

However, if you have had higher earnable compensation in a period prior to your last years before retirement, you can indicate that

time period on the service retirement application. That period will be used instead. Many part-time community college educators will need to specify an earlier period to get the highest allowance they are eligible for.

### Why Pick Another Period?

In 1998 legislation established new standards for full-time employment for CalSTRS purposes. The law allowed each employer to set a standard that more clearly represented the actual workload for part-time community college instructors.

One effect of the new standards was that part-time community college instructors accrue service credit more rapidly. They are able to become vested earlier, which means become eligible for a retirement allowance sooner than under the pre-1998 standards, and they will accumulate more service credit.

With a lower full-time employment standard, the earnable compensation was also reduced. Since the retirement allowance is partly based on compensation *as if you had been working full-time*, if the standard for full-time is cut in half, the earnable compensation is cut in half

(although the amount of service credit you earn will double).

Therefore, the change in the definition of full-time requires more careful attention by the retiring part-time community college educator in the selecting their highest period of earnable compensation. The example below illustrates the potential advantage of indicating a three-year period prior to 1998:

School year	FTE Base	Annual Earnable (used for final comp)
'95-96	1,050	\$55,600
'96-97	1,050	\$56,000
'97-98	1,050	\$56,500
'98-99	525	\$28,500
'99-00	525	\$29,000
'00-01	525	\$29,500

As you prepare your service retirement application, review your compensation prior to 1998 to identify three consecutive years where your annual earnable compensation based on full-time employment would provide you the highest annual earnable compensation. Indicate that period on the application in the appropriate box to receive the maximum benefit for which you are eligible.

*\*One-year final compensation is used if the member has at least 25 years of service credit or if specified in a collective bargaining agreement.*



# More Rollovers to CalSTRS Now Possible

If you have been thinking about buying additional service credit for your CalSTRS retirement, you should be aware of new federal law that takes effect January 1. The federal tax relief bill, signed into law in June, loosens restrictions on transferring funds among pension plans. Conforming state legislation was enacted in October.

This means starting January 1, 2002, you can transfer funds from your 403(b) or 457 account to CalSTRS, subject to terms and conditions the Teachers Retirement Board will establish before January 1. With those funds you can purchase additional service credit or redeposit CalSTRS contributions and interest that were previously refunded to you. This is done through a trustee-to-trustee transfer. You can also transfer CalSTRS contributions and interest

to a 403(b) or 457 account or an IRA if you terminate your CalSTRS membership.

## Why is This Important?

Service credit is the number of years and partial years you have worked while covered by CalSTRS. Your service credit is used along with your age at retirement and salary to arrive at your retirement benefit amount. Purchasing additional service credit will increase your retirement benefits under the CalSTRS Defined Benefit Program.

## Purchase Service Credit for: (A partial list)

- Up to five years of nonqualified service credit after five years of CalSTRS service credit. This is sometimes called “air time.”
- Certain military service
- Out-of-state service

- Other types of teaching experience, including part-time
- Maternity or paternity leave
- Defined Benefit Program service credit forfeited when you received a refund of your account

## For more information

A full description of purchasing additional service credit or redepositing CalSTRS refunds is available online at the CalSTRS Web site. Another source is the CalSTRS brochure *Purchase Additional Service Credit* (PAO-0210). You can view the brochure on-line or by phone by calling 800-228-5453 and using the automated forms ordering option.



# Quality of School Facility Can Influence Learning

## A Message From the California Integrated Waste Management Board

**T**he Collaborative for High Performance Schools is a diverse coalition of state government agencies, utilities and non-profit organizations that have the common goal of improving the quality of education for California's children by improving the quality of their learning environments.

"High performance school" refers to the physical facility—the school building and its grounds. Whether new construction or by renovation, incorporating an integrated "whole building" approach and using the best in design strategies and building technologies results in not only a better learning environment for children, but a facility that is energy efficient, costs less to operate and helps protect the environment. The key is early planning and the Collaborative for High Performance Schools, or CHPS, organized in 2000, has the resources and assistance available to districts to create a facility that fits their budget, timeline and educational goals.

CHPS helps districts in a number of ways. They publish a

best practices manual to assist architects, engineers and school administrators in developing goals and design criteria for an improved school facility. Training programs are available for school districts and design firms, and financial incentive and technical assistance programs are available to districts.

A number of studies confirm a positive relationship between a school's physical condition and student performance. Acoustics, lighting and indoor air quality can enhance learning and increase teacher satisfaction and retention.



Teachers and administrators can learn more about the Collaborative for High Performance Schools at the CHPS website at [www.chps.net](http://www.chps.net).

*Information provided by the  
Collaboration for High Performance  
Schools and the California Integrated  
Waste Management Board,  
[www.ciwmb.ca.gov](http://www.ciwmb.ca.gov)*



## New Energy Tips!

**Check out [www.flexyourpower.ca.gov](http://www.flexyourpower.ca.gov) for  
great ideas on how to save money on your  
winter energy bills.**



# Reinstated Teachers Get Increased Benefits

If you have returned to teaching after retiring for service, you will be interested in a law just enacted. This new provision applies to members who reinstate, accrue at least two years of service credit and then retire for service again on or after October 13, 2001.

Before SB 334 (Ortiz), Chapter 800, Statutes of 2001, was passed, benefit improvements applied only to service credit earned after reinstating to CalSTRS-covered employment and not to the earlier career.

Now all service credit earned during the member's career is subject to the benefits in effect at the time of the second retirement. An adjustment in the age factor will be applied for the earlier service to reflect the number of years the member was retired. In addition, the calculations are slightly different for a member who returns following a disability allowance or disability retirement.



## Example

Sam retired July 1, 1996, on his 56<sup>th</sup> birthday with 30 years of service and a \$4,000 final compensation. His final compensation was based on the average of his highest three consecutive years, although his highest single year of compensation was \$4,200 per month. Sam reinstated on July 1, 1998, after two years retirement at a slightly lower salary. He taught full-time for four years and retired again on July 1, 2002, his 62<sup>nd</sup> birthday.

### Initial career

Age 56 age factor .....	1.52%
Credited service (years) .....	<b>x 30</b>
Final compensation .....	<b>x \$4,000</b>
Initial allowance .....	<b>= \$1,824</b>
Accumulated COLAs from 1997 through 2001 (5 years) .....	<b>+ \$182</b>
Total benefit on initial career .....	<b>= \$2,006</b>

### Second career

Age 62 age factor (includes career factor) .....	2.4%
Credited service (years) .....	<b>x 4</b>
Final compensation .....	<b>x \$4,000</b>
Allowance from second career .....	<b>= \$384</b>

**COMBINED ALLOWANCE, PRIOR LAW \$2,390**

### Initial career

Age factor for age 62 minus 2 years retired (Age 60) + career factor .....	2.2%
Credited service (years) .....	<b>x 30</b>
Final compensation .....	<b>x \$4,200</b>
Initial allowance .....	<b>= \$2,772</b>

### Second career

Age 62 age and career factor .....	2.4%
Credited service (years) .....	<b>x 4</b>
Final compensation .....	<b>x \$4,200</b>
Allowance from second career .....	<b>= \$403</b>
Longevity bonus based on both careers .....	<b>+ \$400</b>
	<b>= \$803</b>

**COMBINED ALLOWANCE, SB 334.....\$3,575**

**Increased monthly allowance .....\$1,185**

# BULLETIN BOARD

## **Correction for ScholarShare Number**

The toll-free telephone number for the Golden State ScholarShare College Savings Trust listed in the last *Bulletin* was incorrect. To learn more about this new and convenient way for families to save for college, call the correct toll-free number, 1-877-SAV-4-EDU, or visit the web site [www.Scholarshare.com](http://www.Scholarshare.com).

## **Summer School and More will be Covered by CalSTRS**

For service performed in July 2002 or later, compensation for summer school and intersession, along with stipends for extra duties, will become creditable for CalSTRS retirement purposes. Your retirement benefits will be enhanced as a result of this program design change. The Spring 2002 *Bulletin* will give more information regarding changes in CalSTRS creditable compensation.

## **Partial Lump-Sum Option Coming in April**

Legislation enacted last year created a new option for retiring members that will become effective in April 2002. Members retiring after the effective date will be able to receive a one-time lump-sum payment at retirement based on their CalSTRS benefit. This will result, however, in a permanent reduction in their monthly allowance. This new option had originally been slated to begin January 1, 2002, but the Teachers' Retirement Board voted to delay implementation to allow time for CalSTRS to develop the information needed for members to make an informed choice. Details on this new partial lump-sum option will be in the Spring 2002 *Bulletin*.



### **CalSTRS Vision Statement**

CalSTRS is committed to lifetime security and service that meets the changing needs of California's educators.

### **State of California**

Gray Davis, Governor

Aileen Adams, Secretary, State and Consumer Services Agency

### **Teachers' Retirement Board**

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Linda Riley, Editor

Statements in this publication are general and the Teachers' Retirement Law is complex and specific. If a conflict arises between information contained in this publication and the law, any decisions will be based on the law and not on this publication.

The *Bulletin* is published twice a year for active and inactive members of the Defined Benefit Program and participants in the Cash Balance Benefit Program of the California State Teachers' Retirement System. Comments or suggestions may be directed to: Editor, Public Affairs, MS #34, P.O. Box 15275, Sacramento CA 95851



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## How to Reach Us

### **Write CalSTRS at:**

California State Teachers'  
Retirement System  
P.O. Box 15275  
Sacramento CA, 95851-0275

### **Call CalSTRS Public Service Office:**

800-228-5453  
916-229-3870  
916-229-3541 for TTY for hearing  
impaired person.

### **Browse CalSTRS Web site at:**

[www.calstrs.ca.gov](http://www.calstrs.ca.gov)

When contacting CalSTRS, be sure to  
include your Social Security number.

## New Energy Education Grants for Teachers

California K–12 teachers can receive grants up to \$3,000 to support innovative projects to teach energy conservation and efficiency to their students under a new \$1 million grant program.

The state's Energy Education Grant program is designed to allow different types of teachers—art, science, math, English, history, drama and others—to develop creative approaches to teach energy conservation and efficiency lessons to students. Funded projects might include school energy patrols, energy conservation murals, home energy audits and theatrical presentations.

Teachers can download an Energy Education Grant Application at <http://www.scsa.ca.gov> or <http://www.flexyourpower.ca.gov>, or can contact Claudie Kiti at 916-651-8792 to obtain a copy of the application and grant requirements. Applications will be reviewed and awarded on an on-going basis, but must be received no later than December 1, 2001.

